GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2984
ANSWERED ON:30.03.2012
POLICY RATES
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Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India (RBI) has not changed its policy rates;

(b) if so, the details thereof and the reasons therefor;

(c) whether the said rates are being manipulated by the RBI in order to keep a check on inflation; and

(d) if so, the details thereof?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) to (d) : To contain inflation and anchor inflationary expectations, the Reserve Bank of India (RBI) cumulatively raised the policy rate (the repo rate) 13 times by 375 basis points (bps) between March 2010 and October 2011. In view of the slowdown in growth, especially investment activity, and expected moderation in inflation, RBI decided to pause repo rate hikes, and the policy rates were kept unchanged (Repo Rate at 8.5 per cent and Reverse Repo Rate at 75 per cent) in Mid Quarter Monetary Policy Review (December 16, 2011). Besides, to mitigate tight liquidity conditions, RBI reduced the Cash Reserve Ratio (CRR) of Scheduled Commercial Banks (SCBs) by 50 bps from 6.0 per cent to 5.5 per cent of their net demand and time liabilities (NDTLs) in its Third Quarter Review of Monetary Policy (January 24, 2012). The CRR was further lowered by 75 bps from 5.5 per cent to 4.75 per cent on March 9, 2012.